



State of California

CALIFORNIA EMPLOYER

Second Quarter 2000

New law calls for independent contractor reporting in 2001

Beginning January 1, 2001, any business or government entity that is required to file a federal Form 1099-MISC for services received must also report specific independent contractor information to EDD.



This reporting requirement, resulting from Senate Bill 542 (Burton), is in addition to the current requirement to report your new hires (see new employee reporting article on page 2).

This information must be reported within 20 days of entering into a

contract for \$600 or more, or if there is no contract, within 20 days of when the aggregate payments reach \$600. The data will be forwarded to state and local child support agencies to identify the income source of delinquent parents for their child support obligations.

The information you will be required to provide is:

THE INDEPENDENT CONTRACTOR'S:

- Full first name and last name
- Social Security Account Number (SSN)

YOUR:

- Business name
- Business address

- Telephone number
- Federal Employer Identification Number (FEIN)
- EDD employer account number, if applicable
- Social Security Account Number (SSN), if applicable
- The date the contract is executed, or if there is no contract, the date payments in the aggregate first equal or exceed \$600.
- The total dollar amount of the contract, if any, and the contract expiration date.

For further information, please check our Web site at www.edd.ca.gov/txi.cr.htm, or call us at (916) 657-0529.

Are you withholding at the correct SDI rate?

The State Disability Insurance (SDI) withholding rate changed to 0.7% (.007), effective April 1, 2000. The two SDI rates that are in effect for calendar year 2000 are:

<u>For Wages Paid:</u>	<u>SDI Rate Is:</u>
January 1 - March 31	0.5% (.005)
April 1 - December 31	0.7% (.007)

The SDI taxable wage limit is \$46,327 per employee for calendar year 2000.

The maximum SDI withholding tax for 2000 is \$324.29 (\$46,327 x .007). However, the maximum amount for each employee who reaches the taxable wage limit during the year will vary between \$231.64 (\$46,327 x .005) and \$324.29 depending on how much

of their taxable wages were paid during the first quarter versus the remainder of the year.

(continued on page 2)

New Web site has answers to your tax questions —

Starting a business? New to California? Need tax information quickly? Whatever your need, you'll find help at the new California Tax Information Center Web site at www.taxes.ca.gov.



This easy-to-use, simplified tax information site is sponsored by EDD, State

Board of Equalization, Franchise Tax Board, and Internal Revenue Service.

For business-related tax information, check these sections of the site:

- "Doing Business"
- "California Small Business Assistance"
- "Tax Calendar"
- "Tax Help"
- "Special Circumstances"

IN THIS ISSUE

- 2 ... A reminder to report all new employees
 - ... Do you rent a Private Mailbox?
- 3 ... Funds available for training and retraining
 - ... Don't let a temporary disability hurt your finances
 - ... How many employees do you have?
 - ... Semi-annual interest rate
 - ... Your help needed to fight fraud
- 4 ... Forum offers valuable employer information
 - ... Don't mail . . . Telefile!
 - ... Casual and day laborers

A reminder to report all new employees

Did you know that all employers are required to report their new hires to EDD within 20 days of the employee's start-of-work date?

This information is required for the New Employee Registry (NER) Program, and is forwarded to federal, state, and local child support agencies to identify income sources of parents for their delinquent child support obligations.

This program has proven to be an effective means of increasing child support collections, lowering public assistance costs, and reducing

Unemployment Insurance benefit overpayments.

If you fax your *Report of New Employees* forms (DE 34), please be sure to use our new NER fax number: (916) 255-0951.

For more information on NER, please contact your nearest Employment Tax Customer Service Office, call our NER hotline at (916) 657-0529, or visit our Web site at www.edd.ca.gov/txner.htm. For information on reporting new hires by magnetic media, please call us at (916) 654-6845.

NEW EMPLOYEE INFORMATION THAT MUST BE REPORTED:

■ YOUR:

- EDD employer account number
- Business name
- Business address
- Federal Employer Identification Number (FEIN)

■ YOUR EMPLOYEE'S:

- Full first name and last name
- Social Security Account Number (SSN)
- Home address
- "Start-of-work" date

Do you rent a Private Mailbox (PMB)?

Do you rent a private mailbox (PMB) from a Commercial Mail Receiving Agency? These private mailbox companies accept mail from the U.S. Postal Service and hold it for pickup by their customers, or re-mail it to another address.



A recent postal regulation required all private mailbox companies to notify PMB owners to include their PMB designation in their mailing address. Unless you have sent us your PMB designation to include in your mailing address, the post office may not deliver mail from EDD to your private mailbox company.

If you are a PMB owner, please provide us with your PMB designation to ensure that your mail is delivered.

Please see the examples below that show the correct format for a PMB address designation used with a street address or a P.O. Box address.

- John Smith
Your Business Name
2468 Any Street, PMB 135
Our Town, CA 91111-0000
- Jane Smith
Your Business Name
P.O. Box 1357, PMB A2
Our Town, CA 91111-1357

Send your PMB designation information to us at:

EDD - Account Services Group, MIC 13
P.O. Box 826880
Sacramento, CA 94280-0001

Please be sure to sign and date your correspondence and include your:

- EDD employer account number
- Name
- Business name
- Business address (including your PMB designation)
- Telephone number

For more information on this requirement, please contact our Account Services Group at (916) 653-7006.

SDI withholding rate change

(continued from page 1)

Your *Payroll Tax Deposit* (DE 88) coupons may include the preprinted 0.5% SDI rate. It is important to note that you will **not** receive new coupons, so please be sure that you are withholding and paying at the 0.7% rate.

We are currently revising the *Annual Reconciliation Statement* (DE 7) and *Annual Payroll Return for Employers of Household Workers* (DE 3HW) to accommodate the SDI rate change, and we plan to have them ready on or before July 31, 2000. We are also developing year-end reporting guide-

lines for the calendar year 2000 and will provide you with additional information as it becomes available.

If you have any questions, please contact your local Employment Tax Customer Service Office or check our Web site at www.edd.ca.gov.

Examples of Proper Withholding for SDI

Employee	1 st Quarter Wages	(Jan. – Mar.) SDI Withholding	2 nd - 4 th Quarter Wages	(Apr – Dec) SDI Withholding	Total SDI Withheld
John Smith	\$10,000	\$50.00 (\$10,000 x .005)	\$30,000	\$210.00 (\$30,000 x .007)	\$260.00
Mary Jones	\$20,000	\$100.00 (\$20,000 x .005)	\$40,000	\$184.29 (\$26,327* x .007)	\$284.29
Jack Doe	\$5,000	\$25.00 (\$5,000 x .005)	\$15,000	\$105.00 (\$15,000 x .007)	\$130.00
Jill Sullivan	\$50,000	\$231.64 (\$46,327 x .005)	\$100,000	0 (maximum withheld in 1 st quarter)	\$231.64
Mike Baker	\$12,500	\$62.50 (\$12,500 x .005)	\$37,500	\$236.79 (\$33,827* x .007)	\$299.29

* Taxable wage limit of \$46,327 minus 1st quarter wages equals maximum wages for SDI withholding.

Funds available for training and retraining

In today's high-tech, fast-paced, global and competitive economy, employers and workers must have the most advanced skills and tools available to succeed. Effective job training is more important than ever before.



The Employment Training Panel (ETP) provides training funds to promote businesses, empower workers, and propel the state's economy. The ETP also acts as a cooperative business-labor program to help employers retrain their workers.

Since ETP was established in 1982, it has funded over \$625 million in training programs and has retrained over 325,000 workers. This training is funded by the Employment Training Tax collected by EDD.

The ETP conducts monthly orientations throughout the state that explain how employers can apply for these training funds. For more information about attending an orientation or on ETP's funding criteria, check the ETP Web site at www.etp.ca.gov or call (916) 327-5262.

Don't let a temporary disability hurt your finances

If you are self-employed, you can protect yourself against a loss of income due to injury or illness with



Disability Insurance Elective Coverage (DIEC). We offer this program as a safety net to business owners, entrepreneurs, and self-employed individuals doing business in California.

The DIEC program offers you:

- Income protection whether or not an injury or illness is work-related.
- Benefits for pregnancy-related disabilities.
- A benefit waiting period of only seven days.
- Premium charges that do not discriminate because of age, occupation, or previous health history.

- Up to 39 weeks of benefit payments.
- Reductions in premium charges during some qualifying disability periods.

To qualify for these benefits, you must apply for DIEC, be approved for coverage, and pay quarterly premiums prior to becoming disabled. Generally, a minimum of seven months must elapse before a new member is eligible to receive benefits.

For more information, please contact your local Employment Tax Customer Service Office or Disability Insurance Office, or visit our Web site:

- Frequently asked questions:
www.edd.ca.gov/difaq9.htm
- To download a DIEC application:
www.edd.ca.gov/de1378di.pdf

How many employees do you have?

You and other employers provide some of the most important economic information available on California and the nation. The employee figures that you include on your quarterly report (DE 6, DE 3BHW, DE 3D, or DE 9423) help EDD and the U.S. Bureau of Labor Statistics measure the total number of jobs in the economy.

The employment statistics compiled from this employee information are used to make important economic planning and policy decisions for California and the nation.

On your quarterly reports, it is vital that you provide us with the number of

full-time and part-time employees you paid during the pay period that includes the 12th day of each month of the quarter. Report the number of employees for each of the three months in "Item A" on your quarterly report. If you have no employees for the payroll period, enter zero.

If you have any questions about completing your quarterly report, please contact your local Employment Tax Customer Service Office.

To access a wide variety of California labor market data, visit EDD's Labor Market Information Web site at www.calmis.ca.gov.

Semi-annual interest rate set at 8 percent

The semi-annual interest rate for the period July 1 through December 31, 2000, will be 8 percent (.08), compounded daily. The daily interest factor will be .000219. If you have any questions regarding this rate, please contact your nearest Employment Tax Customer Service Office.

Your help is needed to fight UI fraud

Each quarter, as part of our fraud detection program, EDD cross-matches wages reported by employers with Unemployment Insurance (UI) benefits paid to individuals. Between July 1, 1999, and January 31, 2000, EDD identified more than \$23 million in overpayments and levied nearly \$7 million in penalties for UI fraud.



EDD relies on your timely and accurate response to the *Benefit Audit* form (DE 1296B) to detect fraud and to protect the integrity of both the UI Program and your UI reserve account.

When one of your employees is identified as having received UI benefits during the same quarter you paid wages, EDD will send you a *Benefit Audit* form requesting wage information for specific weeks.

By promptly returning the *Benefit Audit* form, you help us identify individuals who may have improperly received UI benefits. This process can recover improper benefit payments and may result in the reversal of charges to your UI reserve account or reimbursable account.

If you would like more information about the Benefit Audit Program or if you need assistance in completing the DE 1296B form, please contact us at:

EDD - Overpayment Program
Group, MIC 16A
P.O. Box 3038
Sacramento, CA 95812-3038
Telephone: (916) 464-2350

Forum offers valuable employer information

The Administrative Law Judges Association (ALJA) will hold its annual public forum in Monterey on September 7 and 8, 2000, at the Hyatt Regency Hotel.

When employers and workers have disputes with EDD regarding their rights and responsibilities, they may file an appeal with the California Unemployment Insurance Appeals Board (CUIAB), the independent governmental agency that adjudicates such disputes. The ALJA is a private professional organization of the CUIAB Administrative Law Judges.

Topics and events scheduled for this exciting and innovative forum include:

- Hearsay evidence in administrative hearings.
- When is vocational rehabilitation completed?

- The Sanchez and Glick court decision and the availability issue.
- Benefit rights following separation from employment.
- Employers' obligations to the UI fund.
- How to effectively present a case at an administrative law hearing.
- Meet one-on-one with Administrative Law Judges.

If you would like to receive a forum announcement (to be mailed in July) or request more information, please send a postcard, fax, or e-mail to the address below. Include your organization name, contact person, mailing address, telephone number, and e-mail address.

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c/o San Diego Office of Appeals
3517 Camino Del Rio South, Ste. 310
San Diego, CA 92108-4027
Fax: (619) 521-3334
E-mail: shainh@cuiab.state.ca.us

Don't mail . . . Telefile!

Do you have a small number of employees? If so, you can file your quarterly wage and withholding reports and pay your employer taxes by telephone.



By using Telefile, you will no longer have to mail reports or checks. To get more information or request Telefile registration materials, call Telefile Customer Service at **1-800-796-3524**.

What is casual labor? Day labor?

"Casual labor" and "day labor" are common terms used to describe workers performing a variety of services, usually on a temporary or part-time basis.

Many businesses hire these types of workers and mistakenly believe that they are not employees simply because of their limited length of service or part-time hours. Even though these workers may be hired for only an hour, day, or week, they are typically employees. Some examples of the types of workers referred to as casual laborers include:

- Part-time help
- Day laborers
- Students
- Outside laborers
- Temporary help
- Substitutes
- Workers in training
- Employees hired on a trial basis
- Workers paid less than \$600 a year

Whether or not these workers are employees for purposes of the California Unemployment Insurance Code is determined under the usual common law rules of employment. Under common law, the most important factor to be considered when determining whether a worker is considered to be an employee or independent contractor is the right of control over the worker. If you can control the way in which work is performed, or if you exercise extensive control over the work as a whole, the worker is your employee and there is a common law employee-employer relationship.

For more information, refer to our *Casual Labor* information sheet (DE 231K), or attend one of our payroll tax seminars. To find a seminar in your area or to get a DE 231K, see our Web site (www.edd.ca.gov) or call your nearest Employment Tax Customer Service Office.

EMPLOYMENT TAX INFORMATION

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| ■ General Information, Address Changes, or Requests for Employment Tax Forms (25 copies or less) | Call the nearest Employment Tax Customer Service Office |
| ■ Forms Requests (25+ copies) | (916) 322-2835
Fax: (916) 928-5910 |
| ■ Register for an EDD Employer Account # | (916) 654-7041
Fax: (916) 654-9211 |
| ■ Electronic Funds Transfer | (916) 654-9130
Fax: (916) 654-7441 |
| ■ Magnetic Media Reporting | (916) 654-6845
Fax: (916) 654-0302 |
| ■ Alternate Forms Coordinator | (916) 255-0649
Fax: (916) 255-1578 |
| ■ Telefile | 1-800-796-3524 |
| ■ Electronic Data Interchange | (916) 255-1649 |
| ■ Tax Rates & Benefit Charge Information | (916) 653-7795 |
| ■ New Employee Registry | (916) 657-0529
Fax: (916) 255-0951 |
| ■ Offers in Compromise | (916) 464-2726
Fax: (916) 464-2077 |
| ■ Underground Economy Operations | (916) 464-1075
Fax: (916) 464-1020 |
| ■ Taxpayer Rights Advocate | (916) 654-8957
Fax: (916) 654-6969 |
| ■ EDD's Web site: | www.edd.ca.gov |

CALIFORNIA EMPLOYER



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